

## Message Text

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TO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS

C O N F I D E N T I A L STATE 297498

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E.O. 11652: GDS

TAGS: EGEN, ECON, XC, XE, XP

SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT  
DECEMBER 13, 1977

1. ADB DONOR COUNTRY DIRECTORS SHOCKED BY LONG'S LETTER  
(CONFIDENTIAL)

ADB PRESIDENT YOSHIDA INFORMED THE EXECUTIVE DIRECTORS  
(ED) OF THE CONTENTS OF CONGRESSMAN CLARENCE LONG'S  
LETTER ON DECEMBER 7. THE ED EXPRESSED SHOCK AT THE  
CONTENTS OF THE LETTER AND THE AUSTRALIAN ED THOUGHT  
THE LETTER REPRESENTS A "SERIOUS THREAT TO INTEGRITY OF  
THE INSTITUTION". YOSHIDA INDICATED THAT HE WILL FOLLOW  
THE SAME PROCEDURES FOR THE INDOCHINA MEMBERS AS HE  
DOES FOR OTHERS; UK, GERMAN, CANADIAN AND THE  
SCANDANAVIAN ED URGED HIM NOT TO DELAY LONGER ON THE  
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POWER LOAN TO VIETNAM. CONCERNING LOAWS FOR PREDYCTION  
OF PALM OIL AND OTHER COMMODITIES, HE WILL BE VERY  
CAREFUL TO SELECT PROJECTS THAT ARE MOST CONDUCTIVE TO  
DEVELOPMENT, TAKING THE USG POSITION INTO ACCOUNT.

IN A SEPARATE DEVELOPMENT, THE US ED HAS REPORTED  
INCREASING UNHAPPINESS OVER THE USG INTRODUCTION OF  
HUMAN RIGHTS ISSUES IN ADB CONSIDERATIONS AND SOME, LED BY

THE KOREAN AND INDONESIAN REPS, ARE CONTEMPLATING

INTRODUCING A "MOTION OF REGRET" AT THE INTRODUCTION OF POLITICAL ISSUES.

2. FY 79 AID LEVELS (CONFIDENTIAL)

WE HAVE SUBMITTED TO S/P THE BUREAU'S RECOMMENDATIONS AGAINST ANY CUTS FROM THE FY 79 BILATERAL AID LEVELS SUBMITTED TO OMB. PROSPECTS ARE THAT EVEN IF THE RECLAMA WOULD NOT SUCCEED, AID WOULD LEAVE THE INDONESIAN AND THAI AID LEVELS INTACT AND HAVE ONLY A SMALL CUT IN THE PHILIPPINE PROGRAM. BOTH TREASURY AND STATE HAS ASKED FOR A REINSTATEMENT OF 1 MILLION DOLLARS FOR THE ADB TECHNICAL ASSISTANCE FUND WHICH OMB CUT. IT IS AS YET UNCERTAIN WHETHER STATE WILL SEEK AT THIS TIME A RESTITUTION OF THE FY 79 PL-480 TITLE I CUTBACK (WHICH WAS CUT TO THE FY 78 LEVEL).

3. JAPAN STUDY ON US ECONOMIC WITHDRAWAL  
(LIMITED OFFICIAL USE)

EMBASSY JAKARTA WAS ASKED BY THE JAPANESE EMBASSY FOR STATISTICAL DATA TO BE USED IN A STUDY ON "US ECONOMIC WITHDRAWAL FROM EAST ASIA". WE ARE PREPARING AN  
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APPROPRIATE RESPONSE SHOWING THAT OUR ECONOMIC INVOLVEMENT IN EA HAS GROWN OVER THE PAST YEARS.

4. US-JAPAN TRADE FACILITATION COMMITTEE (TFC)  
(LIMITED OFFICIAL USE)

TFC TOKYO GROUP HELD ITS INAUGURAL MEETING DECEMBER 8, ON EVE OF USHIBA VISIT TO WASHINGTON. GOJ WAS FORTHCOMING ON ALL ITEMS OF TFC TERMS OF REFERENCE AND OUTLINED SPECIFIC ACTIONS IT IS PREPARED TO TAKE. HIGHLIGHT OF MEETING WAS ANNOUNCEMENT BY JAPANESE CO-CHAIRMAN THAT GOJ WILL NOW USE ITS ADMINISTRATIVE GUIDANCE TO INDUCE MAJOR TRADING COMPANIES TO IMPORT MANUFACTURED GOODS.

5. ASEAN TRADE FAIR (LIMITED OFFICIAL USE)

WITH US SUPPORT FOR THE FAIR TAKING SHAPE, WE INTEND TO INFORM ASEAN OF OUR PLANS SHORTLY. IT WILL BE POSSIBLE TO PUBLICIZE THE FAIR THROUGH COMMERCE AND OTHER CHANNELS. A NUMBER OF PRIVATE SECTOR ORGANIZATIONS ARE CONSIDERING MISSIONS TO THE FAIR OR MEETINGS IN MANILA AT THAT TIME. WE ARE WORKING ON THE POSSIBILITY OF A TECHNICAL SEMINAR ON GSP. IN ADDITION, FAIR AUTHORITIES HAVE ACCEPTED AN OFFER BY THE PACIFIC

NORTHWEST COMMISSION TO SPONSOR A TECHNICAL SEMINAR IN

THE FIELD OF AGRICULTURE.

6. OPIC AUTHORIZATION (LIMITED OFFICIAL USE)

THE HOUSE LEADERSHIP HAS INDICATED TO OPIC THAT FURTHER CONSIDERATION OF LEGISLATION MAY BE EXPECTED THE WEEK OF JANUARY 23 AT THE EARLIEST. IN THE MEANTIME, THE FLOOR MANAGER, REP. BINGHAM, IS CONSIDERING HOLDING SUBCOMMITTEE MEETINGS TO DEVELOP ADDITIONAL AMENDMENTS  
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MAKING THE BILL MORE PALATABLE TO THE HOUSE MEMBERSHIP AND LABOR. THE ADMINISTRATION HAS NOT YET BEEN CONSULTED ON SPECIFIC SUGGESTIONS FOR AMENDMENTS.

7. CAUTIOUS OECD REACTION TO US INVESTMENT PROPOSALS  
(LIMITED OFFICIAL USE)

AT DECEMBER 5-6 MEETING OF OECD COMMITTEE ON INTERNATIONAL INVESTMENT AND MULTINATIONAL ENTERPRISES, US PROPOSED A WORK PROGRAM AIMED AT ELICITING COUNTRY-BY-COUNTRY REVIEWS OF EXCEPTIONS FROM NATIONAL TREATMENT AND OF INVESTMENT INCENTIVES/DISINCENTIVES. OTHER MEMBERS WERE CAUTIOUS AND, AT THIS STAGE, UNWILLING TO SET UP SUB-GROUPS TO UNDERTAKE SUCH WORK. THE COMMITTEE DECIDED TO CONSIDER THESE US INITIATIVES AT ITS NEXT MEETING IN APRIL.

8. COMMODITIES

8.A. COMMON FUND (LIMITED OFFICIAL USE)

THE GROUP OF 77 HAS TABLED A RESOLUTION ON THE COMMON FUND NEGOTIATIONS FOR CONSIDERATION BY THE UN GENERAL ASSEMBLY. WE BELIEVE THAT THE RESOLUTION AS CURRENTLY WORDED IS PREJUDICIAL AND UNCONSTRUCTIVE. THE DEPARTMENT HAS ASKED OUR POSTS TO CONVEY THIS VIEW TO THEIR HOST GOVERNMENTS AND TO URGE THAT THE RESOLUTION BE WITHDRAWN OR, IF THAT IS NOT POSSIBLE, TO SUPPORT A MORE POSITIVELY WORDED RESOLUTION. NEGOTIATIONS ALONG THESE LINES ARE ALSO PROGRESSING IN NEW YORK.

8.B. SUGAR (UNCLASSIFIED)

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THE US SIGNED THE INTERNATIONAL SUGAR AGREEMENT ON DECEMBER 9. WE HAVE ASKED OUR POSTS TO URGE THEIR GOVERNMENTS TO SIGN THE ISA SO THAT IT CAN ENTER INTO FORCE PROVISIONALLY ON JANUARY 1. OF THE 74 COUNTRIES

PARTICIPATING IN THE SUGAR NEGOTIATIONS ONLY 6  
(INCLUDING THE PHILIPPINES) HAVE SIGNED.

8.C. BAUXITE (UNCLASSIFIED)

ACCORDING TO A NEWSPAPER REPORT, THE INTERNATIONAL BAUXITE ASSOCIATION, WHICH INCLUDES AUSTRALIA, HAS SET THE PRICE FOR BASE GRADE BAUXITE TO THE NORTH AMERICAN MARKET AT 24 DOLLARS A METRIC TON. ALTHOUGH THIS PRICE IS THE CURRENT MARKET PRICE, IT REPRESENTS THE FIRST TIME THAT THE IBA HAS BEEN ABLE TO AGREE IN PRINCIPLE TO A COMMON PRICE. EMBASSY CANBERRA HAS BEEN ASKED FOR ITS COMMENTS, AS THE IBA ACTION WOULD INDICATE A CHANGE IN AUSTRALIA'S POLICY.

8.D. COPPER (LIMITED OFFICIAL USE)

THE CIPEC (COPPER PRODUCERS) CONFERENCE HELD IN JAKARTA ENDED WITHOUT MAKING A DECISION ON THE ZAMBIAN PROPOSAL FOR A COPPER PRODUCTION CUTBACK; HOWEVER, PERU, ZAIRE AND ZAMBIA ANNOUNCED THEIR INTENTION TO CUT PRODUCTION IN AN ATTEMPT TO RAISE THE PRICE OF COPPER. ALTHOUGH MOST CIPEC MEMBERS (INCLUDING INDONESIA) GENERALLY SUPPORTED THE ZAMBIAN PROPOSAL, CHILE'S STRONG OPPOSITION PROHIBITED CIPEC FROM SUPPORTING IT. IT IS DOUBTFUL THAT PERU, ZAIRE AND ZAMBIA, WITHOUT THE SUPPORT OF OTHER COPPER PRODUCERS, WILL BE SUCCESSFUL IN RAISING THE PRICE OF COPPER.

9. ITC DECISIONS (UNCLASSIFIED)

THE INTERNATIONAL TRADE COMMISSION HAS DETERMINED  
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THAT THE IMPORTS OF FERROCHROMIUM (19 MILLION DOLLARS FROM JAPAN AMONG OTHERS) AND INDUSTRIAL FASTENERS (160 MILLION DOLLARS FROM JAPAN AND 6 MILLION DOLLARS FROM TAIWAN AMONG OTHERS) ARE A "SUBSTANTIAL CAUSE OF SERIOUS INJURY" TO US PRODUCERS. IN BOTH CASES THE ITC RECOMMENDED INCREASING THE TARIFF. THE ITC ALSO DETERMINED THAT SODIUM SACCHARINE FROM KORE AND JAPAN ARE NOT CAUSING INJURY TO US PRODUCERS THUS CLOSING THE CASE.

10. TEXTILES (CONFIDENTIAL)

THE LATEST REPORTS FROM GENEVA INDICATE THAT THERE IS GENERAL AGREEMENT ON THE FORM FOR THE RENEWAL OF THE MULTI-FIBER AGREEMENT. THE JAPANESE HAVE DECIDED IN THE LAST MINUTE THAT A RENEWAL PROTOCOL WHICH ALLOWS FOR "REASONABLE" DEPARTURES FROM THE MFA PROVISIONS WOULD NOT CONSTITUTE AN AMENDMENT OF THE AGREEMENT

AND THUS DOES NOT REQUIRE DIET APPROVAL. THE TEXTILE

COMMITTEE OF GATT WILL MEET ON WEDNESDAY TO DISCUSS THE MFA RENEWAL. THERE IS GENERAL OPTIMISM WITHIN THE ADMINISTRATION THAT THE TENUOUS AGREEMENT AMONG EXPORTERS AND IMPORTERS SUPPORTING RENEWAL WILL HOLD TOGETHER. WE MAY STILL HAVE TO RENEGOTIATE SOME OF THE EA TEXTILE AGREEMENTS (E.G. HONG KONG AND KOREA) DEPENDING ON THE EEC "DEPARTURES" FROM THE MFA PROVISIONS.

11. COLOMBO PLAN MEETING (LIMITED OFFICIAL USE)

THE COLOMBO PLAN CONSULTATIVE COMMITTEE ANNUAL MEETINGS IN KATHMANDU CONCLUDED DECEMBER 7. DISCUSSIONS ON DEVELOPMENT ISSUES DURING BOTH THE OFFICIALS CONFIDENTIAL

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MEETING AND THE MINISTERIAL PROCEEDED SMOOTHLY AND WITH ONE MINOR EXCEPTION, NO CONTROVERSIAL CURRENT NORTH-SOUTH DIALOGUE ISSUES WERE RAISED. NONE OF THE INDOCHINA STATES SENT DELEGATIONS. THE US OFFER TO HOST NEXT YEAR'S MEETINGS (OFFICIALS MEETING NOVEMBER 28-DECEMBER 1; MINISTERIAL DECEMBER 4-6) WAS WELL RECEIVED. A PROPOSAL, GENERALLY SUPPORTED BY THE DEVELOPED COUNTRY MEMBERS, TO MEET BI-ANNUALLY RATHER THAN ANNUALLY WAS UNSUCCESSFUL, BUT WILL BE CONSIDERED AGAIN NEXT YEAR.

12. NEW ZEALAND ALUMINUM SMELTER DISPUTE  
(LIMITED OFFICIAL USE)

WE LEARNED TODAY THAT THE DISPUTE, WHICH INVOLVED KAISER ALUMINUM AS MINORITY INVESTOR, HAS BEEN SETTLED. TO FULFILL CAMPAIGN PROMISE, NEW ZEALAND PRIME MINISTER MULDOON WAS DEMANDING A 650 PERCENT HIKE IN ELECTRICITY RATES TO SMELTER, AND HE THREATENED TO SEEK LEGISLATIVE AUTHORITY TO ABROGATE EXISTING CONTRACTS. I MET WITH KAISER OFFICIALS SEVERAL TIMES AS THE DISPUTE UNFOLDED, AND THEY PHONED TODAY TO EXPRESS THANKS FOR OUR INTEREST AND HELP IN ENCOURAGING A NEGOTIATED SETTLEMENT.

13. UN CONFERENCE ON SCIENCE AND TECHNOLOGY FOR  
DEVELOPMENT MEETING (UNCLASSIFIED)

REGIONAL PREPARATIONS FOR THE UNITED NATION'S CONFERENCE ON SCIENCE AND TECHNOLOGY FOR DEVELOPMENT TO BE HELD IN 1979 (HOPEFULLY IN THE US) BEGAN WITH AN ESCAP MEETING IN BANGKOK, DECEMBER 8-12. DELEGATIONS SELECTED FIVE REGIONAL SUBJECT AREAS: FOOD AND AGRICULTURE, NATURAL RESOURCES, ENERGY, HEALTH AND NUTRITION AND INDUSTRIALIZATION. THE MEETING WAS MARKED BY THE ACTIVE PARTICIPATION OF INDONESIA AS WELL

AS THE PHILIPPINES, KOREA, JAPAN AND AUSTRALIA. AL  
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HEGBURG HAS BEEN DESIGNATED AS THE EA BUREAU  
REPRESENTATIVE TO WORK WITH THE US TASK FORCE ON THE  
US NATIONAL PAPERS. I WILL BE THE BUREAU CONTACT  
POINT TO WORK WITH JEAN WILKOWSKI, THE US COORDINATOR.

CHRISTOPHER

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